



Armenia SME Market Development Project

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**Armenia
Small and Medium-Sized Enterprises
Market Development Program
(ASME)**

QUARTERLY REPORT

For the period

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Prepared by

Development Alternatives, Inc.

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ARMENIA SME MARKET DEVELOPMENT PROJECT

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ARMENIA SME MARKET DEVELOPMENT PROJECT (ASME)

Summary

Following are summary highlights from this past Quarter's activity of the DAI-ASME project:

The major highlight of the quarter was finalization in early March of our contract extension for two additional years and the addition of two new sets of activities to be addressed: textiles and apparel and non-farm rural enterprises and the reduction of our effort aimed at policy analysis and reform and the development of business service providers. These new activities will be fit within the five Service Components developed during the original project period. New benchmarks are now being developed along with a revised work plan to take account of the extended and expanded program.

Service Component #1: Market and Demand Analysis

- Provided technical assistance through two STTAs this quarter.
- No market demand or supply/service surveys were undertaken this quarter.

Service Component #2: SME Development and Expansion

- Over 140 firms, including 15 WID companies, are regularly involved in DAI-ASME activities by receive direct hands-on consultancy, or via attendance at workshops and seminars, participation in trade shows and market tours, and/or receiving technical information and materials and market development leads.
- Assistance companies reported additional export sales of \$601,925 and \$847,189 in additional domestic sales this quarter compared to the corresponding quarter prior to receiving DAI-ASME assistance. Net sales increased by a total of \$7.5 million in the past four quarters compared to base year data for client firms.
- A total of 1783 new jobs (full time job equivalents) have been created by companies compared to their level of operation at the time assistance was initiated
- Client companies reported 91 new buyer arrangements this quarter.
- Memorandums of Agreement were signed with 3 companies bringing to 59 the number of firms that have signed MoAs with the project.

Service Component #3: Financial Linkages

- A total of 14 cost-share grants were approved during the quarter for marketing support (6), operational support (7) and capital finance (1). The total vale of these grants came to \$61,820.

- Four companies from the apparel sector were assisted to participate in the Federated Trade Show in Moscow and two aquaculture companies participated in a seafood exposition in the same city coming home with large new orders.
- One company was assisted to develop a Halal certified meat processing facility in compliance with international food safety standards.

Service Component #4: Skills Development and Information Dissemination

- A seminar on International Commercial Transactions was presented to 40 representatives of private companies and BSPs by DAI-ASME staff and local service providers from the banking, insurance and freight forwarding sectors.
- Cost share support was provided to a local BSP to present a one-day workshop on Corporate Social Responsibility to about 50 private sector representatives including several DAI-ASME client firms.

Service Component #5: Association Strengthening and Policy Advocacy

- Representatives of the Merchants Union and UMBA were supported to undertake a study tour to Moscow to visit several think tanks and policy institutes in preparation for the start-up of the Armenian Analytical Institute.

Market Development Successes and Activities Involving DAI-ASME Assistance:

During the past quarter, the SME community recorded a number of significant achievements resulting directly from DAI-ASME technical and/or financial assistance. The following are examples of those achievements.

Artashes Company, producer and exporter of natural fruit jams and preserves to various parts of the world, signed a new contract with its US distributor for 2004. According to new contract, Artashes will export 60 containers of various products to California to be then distributed throughout the United States. Volume of the 2004 contracts is two times larger than those of 2003. The 2004 order includes 3 containers of processed Armenian honey - up from 1 container in 2003.

Gamma Company signed an additional contract with Al Wedyan National Company of Riyadh, Saudi Arabia, to pack whole, peeled tomatoes in 73 mm diameter metal cans under “Wedyan” brand name. The 2004 order is for 550,000 cartons worth \$3,300,000. The average CIF Jeddah price per carton is estimated to be \$6.00. Cooperation between Gamma and Al Wedyan began during the Gulfood 2003 trade show and market tour, organized by DAI-ASME in February 2003 in Dubai, UAE.

DAI-ASME assisted in development of an **Armenian Apparel and Textile Industry** web site www.armeniantextile.com initiated and constructed by Vahagn Simonyan, as

well as with the first issue of their hardcopy Industry Newsletter. DAI assistance was provided in developing and editing the texts, developing company profiles and articles. The web site contains a directory of Armenian manufacturers, industry related data, statistics, trade show information, membership subscription information, and related search engines. The newsletter contains sections on industry overview, foreign trade, domestic market, sub-sectors, a featured company, and fashion.

DAI-ASME, working closely with **Euroterm, CJSC (Noyan Juices)** representatives, gathered two groups of consumers together in February to gain feedback for use in developing Noyan's future domestic and export marketing efforts. Specific topics for discussion included the domestic and export markets the company wishes to target, the images and messages it wants to convey to potential customers, package design and promotional techniques. The ideas generated will ultimately allow Noyan to exploit the unique qualities of its various products while building the customer awareness of and loyalty to its common brand name. As a result of these efforts, Noyan is developing a new marketing strategy that will be unveiled later this year.

Following meetings and tasting events arranged by DAI-ASME, **Vanik Karamyan S.P.** entered into serious relationships with major hotels and restaurants in Yerevan. During the quarter he supplied dried fruit baskets to the Hotel Yerevan, Mariott, Hotel Europe, Shant restaurant, the Salt Sack gift shop. He will also be following up with potential buyers in UK and Lebanon.

Based on the success of previous training programs with **Cheer** DAI-ASME is encouraging the **Association of Dried Food Producers** to continue sharing its knowledge and skills with other dryer businesses in major fruit growing and drying regions of Armenia. In 2004 the Association plans to expand the training program to include four new marzes - Vayots Dzor, Syunik, Tavush and Lori - as well as carry out follow up visits to solar dryers in Ararat, Armavir, Aragatsotn and Kotayk marzes. The 2004 training program is designed to expand its activities not only geographically, but aims to provide a larger package of support services to a larger number of dried fruit and vegetable producers. These efforts will result in more efficient usage of all types of dryers and higher production volumes and consistently high quality.

DAI-ASME supported **Bizon-1's** participation in the fourth international trade show, Medicine and Health Care 2004, in Yerevan. Participation in the March event helped Bizon-1 develop new contacts with potential buyers, and increased awareness of major players in pharmaceutical and health care industries in the domestic market.

Non-Service Area Specific Activities

Women in Development (WID)

Two key events took place during the quarter:

- 1) *Computerized Accounting Training for WID Clients*, presented jointly with the International Accounting and Business Center.

DAI-ASME cost-shared the expenses for 16 WID client managers and/or their accountants to improve computer and cost analysis skills through training in an Armenian software “Bookkeeper” program for SMEs.

- 2) *Third Annual WID Workshop* involved 23 WID client representatives in intensive training and discussion of the following topics: Business Management and Corporate Structuring; Networking and Working Cooperatively; Food Safety and Traceability Systems; Cost Accounting and Practical Computerized Bookkeeping; and Improved Financial Management and Strategic Planning.

EC Export Authorization

DAI-ASME has continued its efforts to facilitate Armenia’s approval for import of fishery products to EU member states. Within this framework, close cooperation has been established with Francisco Blaha, an international consultant on EU fish standards assigned by EC authorities to help the Ministry of Health comply with those terms. ASME staff arranged site visits to its two aquaculture clients, Akvatekh CJSC and BAKSS Ltd., for the consultant to get an inside feeling for the industry and check compliance with EU safety standards. The companies themselves benefited from these meetings in a way that first-hand feedback and advice was received on the newly built processing facilities. Also, by request of the EU expert, ASME has provided support in translating certain Armenian food safety regulations into English. As a next step, it is proposed that a joint instructive workshop be held at DAI office for a couple of major fish processors by end-May or early-June.

Coordination and Collaboration

In a country as small as Armenia with the relatively large number of development efforts being carried out by a range of donor and implementing organizations, efficiency requires that every effort be made to coordinate efforts wherever possible. We take that need very seriously as illustrated by the following examples:

We are continuing efforts with the Micro Enterprise Development Initiative (MEDI) project and the USDA to insure that the best possible use is made of our combined resources without duplication.

As an integral part of our new Non-Farm Rural Enterprise component, DAI-AMSE is developing operational alliances with four business service centers in Tavush, Shirak and Syunik marzes. The idea is to take advantage of synergies involving diverse activities like ‘farm stores’ for accessing high quality, reasonably priced production inputs, leasing of equipment, and consolidated output marketing efforts. We are also reaching out to previously overlooked or underutilized businesses in those rural areas to develop opportunities in wide ranging activities such as livestock slaughter facilities and related hide preparation and marketing, stone cutting, metal fabrication, traditional handicrafts and others.

Service Component #1: Market and Demand Analysis

Objectives

DAI-ASME seeks to increase revenue, profitability and employment in selected sectors of the Armenian economy through a set of market-driven interventions targeted at SMEs. Service Component #1 is designed to provide in-depth knowledge of international market demand, most especially in selected export markets including Russia, Europe, the Middle East, Gulf States, and North America, as well as, knowledge of market demand within the Armenian domestic market.

Technical Assistance through STTAs

One major effort was begun this past Quarter and continues into April: design of an Action Plan/Assistance Program for USAID's ASME Project in the Area of Sanitary and Phytosanitary (SPS) Measures for Agrifood Exports, by Tom Deeb and Ernst Graf.

Following are brief comments on the efforts. More specific details on the efforts, their objectives, backgrounds, activities and results, are contained in the studies themselves, which are available through the DAI-ASME office.

Design of an Action Plan/Assistance Program for USAID's ASME Project in the Area of Sanitary and Phytosanitary (SPS) Measures for Agrifood Exports, by Tom Deeb and Ernst Graf

The overall aim of this Project Design is for RAISE SPS to engage USAID's ASME Project, its clients, and USAID/Armenia in a comprehensive discussion regarding ways to stimulate increased and improved trade of agro-food products. The outcome of these discussions would be a strategy document that assists ASME in the design of an integrated SPS assistance program leading to increased export sales of agro-food products. The design of the SPS approach should be highly driven by practical solutions that will alleviate current trade constraints encountered by the private agribusiness sector. Initial focus should be on a design that is able to attend to the needs of 5-10 medium-sized agribusinesses that have already received various types of technical assistance from ASME. These firms, many of which are already exporting to some degree, need assistance to overcome a unique set of SPS and food safety/quality barriers preventing entry of their product into new markets of high potential. The Consultants will also assess existing SPS-related programs (such as those of FAO), which provide overarching support to public sector entities such as the Ministries of Agriculture and Health. Such assessment will try to identify gaps in public sector assistance that may, or may not, be able to be attended by RAISE SPS in concert with direct assistance to the private sector. In any case, the design team will work in concert with ASME staff in order to come up with an integrated SPS assistance program that takes into account both private and public sector needs, and which is complementary to other donor program efforts.

Surveys

No domestic market surveys were completed this Quarter by local BSPs under contract with DAI-ASME.

Service Component # 1 Benchmarks:

Benchmark	Life of Project Projected Total	Cumulative Total to December 31, 2003	Proposed Year 4 Total	Achieved in the Current Quarter	Cumulative Life of Project Total to Date
Market demand studies	25	30	Pending	0	30
Supply/Service studies and cross-sector efforts	8	10	Pending	0	10
Countries covered by international market studies	10	10	Pending	0	10
Countries covered by regional market studies	4	4	Pending	0	4
Web based market information system developed	1	1	Pending	Update	Update

Service Component #2: SME Development and Expansion

Objectives

DAI-ASME provides integrated technical assistance to the Armenian SME community to identify market opportunities and provide firm-level assistance for sustainable commercial growth primarily in export markets. DAI-ASME also supports efforts in domestic market sectors where there is a potential for increased activity by Armenian firms.

Memorandum of Agreement

Three additional companies signed Memoranda of Agreement (MoAs) with DAI-ASME this Quarter. The MoA serves as a document that provides assurance to both sides on cooperation. Most especially, it assures clients that information shared with DAI-ASME will remain confidential unless released by the client, and that the client will provide baseline (as well as quarterly follow up) data for monitoring and evaluation purposes. The following companies signed MoAs this Quarter:

1. Getamej Poultry - Feb 26, 2004
2. MAG – Mar 18, 2004
3. Henry-Gor Co.- Mar 19, 2004

Technical Assistance Provided to Armenian SMEs:

Following is a list of workshops, seminars, trade shows and/or market tours conducted for SMEs by DAI-ASME during this Quarter. A brief description of selected key

activities is provided. For more information regarding past and future events please contact the DAI-ASME office or visit our web page at www.ArmeniaAg.org.

Workshop/Seminars

#	Title	Dates
1.	Beekeeper Training in Vardenis, Gegharkuniq marz	Feb 16 -20, 2004
2.	International Commercial Transactions Seminar	Feb 17, 2004
3.	Computerized Accounting Training for WID Clients, jointly with the International Accounting and Business Center	Phase 1 Feb 18-23, 2004 Phase 2 Feb 27-29, 2004
4.	Beekeeper Training in Berd, Tavush marz	Feb 28, 2004
5.	Third Annual WID Workshop	Mar 5-7, 2004

Trade Shows/Market Tours

#	Title	Dates
1.	Premier Vision Salon – Spring & Summer Textiles for 2005 – Paris, France	Feb 23-29, 2004
2.	XXII Federal Fair of Textiles and Light Industry Goods and Equipment – Moscow, Russia	Mar 23-26, 2004

XXII Federal Fair of Textiles and Light Industry Goods and Equipment – Moscow, Russia. DAI-ASME assisted four Armenian manufacturers in exhibiting at the largest textile trade show in Russia and the CIS. Cost share grant agreements with the companies assisted in the development of promotion materials and booth design. A preparatory workshop took place before departure, and a DAI-ASME Business Advisor traveled with the companies to help with on-site presentations.

Premier Vision Salon – Spring & Summer Textiles for 2005 – Paris, France. A DAI-ASME Business Advisor on Textile and Apparel attended Premier Vision, one of the world's most important trade shows in terms of creativity and dynamic outlook for ready to wear clothing and current trends in color and fabric. Ideas and materials received during this event (including sample hangers from ten fabric companies from Europe) were later shared with Armenian shirt, jean and sportswear manufacturers. As a result of this tour, Armenian companies will have a better opportunity to source high quality, designer materials from Europe, in addition to current sources utilized from Asia, Turkey and United Arab Emirates.

Sales Generated by the DAI-ASME Clients.

DAI-ASME client companies generated an increase of \$3.5 million in domestic sales and \$4.0 million in export sales during the last four Quarters compared to their base year totals. The pace at which sales (especially export sales) are increasing reflects the continuous work the ASME team has done with a relatively small group of companies that are now making a serious and sustainable place for themselves in

established export markets and a number of other firms, with whom we have shorter experience, who taste their first success.

Service Component #2: Benchmarks

Benchmark	Life of Project Projected Total	Cumulative Total to December 31, 2003	Proposed Year 4 Total	Achieved in Year 4 through Quarter 2	Cumulative Life of Project Total to Date
Primary SME firms assisted and strengthened	125	116	Pending	3 *	119
Supply and service firms assisted and strengthened	10	5	Pending	0 *	5
Women owned/managed SMEs assisted and strengthened	20	15	Pending	0 *	15
Trade shows & market tours attended and/or conducted	40	22	Pending	2	24
New buyer arrangements for client firms	85	545	Pending	91	636

* Newly signed MoAs

Sales Reported in this Quarter:

	Export	Domestic
Current quarter compared to same quarter of base year	\$ 601,925	\$ 847,189
Most recent four quarters compared to base year total	\$ 3,980,692	\$ 3,495,396

Jobs Generated in this Quarter:

Direct jobs created compared to the base quarter	341
FTE jobs created compared to the base year	1,442

Service Component #3: Financial Linkages

Background: Small and medium-scale agribusinesses generally lack effective access to commercial and investment finance programs sufficient to attract the medium and longer term financial resources they need to develop their businesses. Lack of experience on the part of many business owners coupled with high interest rates and the demand for high multiples of urban real estate value as collateral make it difficult for their capital needs to be satisfied by the commercial banking system as it now exists.

The objective of Service Component #3 is to help client enterprises develop viable and sustainable long-term linkages with commercial banks and other parts of the business finance infrastructure. Four different mechanisms have been defined:

- 1) **Market/Product Development Cost-Share Grants:** This is a cost-sharing device aimed at supporting agribusiness firms by assisting in their market development activities, such as attendance at trade shows, participation in market study tours, and the development of quality promotional and packaging materials. Activity associated with these grants is reported under Service Component #2 though they do also increase a client's ability to attract funding from the commercial finance institutions.
- 2) **Operational Support Cost-Share Grants:** DAI-ASME provides technical assistance to client firms, subcontracted on a cost-share basis where appropriate, through its network of associated local business service providers (BSPs) or from its own staff and STTA resources. This technical assistance is aimed at helping the clients develop and implement a viable strategic plan for the development of their business and to gain access to the financial organizations that might be able to support them. These grants can also be applied to helping the companies achieve other production and/or management improvements such as the development and installation of quality management and food safety systems. In addition to supporting individual client firms, these cost-share grants are also used to support activities of other SME-directed organizations that work to strengthen the overall SME community such as the SME Development National Center, the Armenia Development Agency and business associations.
- 3) **Capital Finance Support Cost-Share Grants - Non-Leasing:** Client firms may be given a cost-share grant to co-finance specific capital requirements and increase their ability to obtain commercial bank or other financing to meet the balance of its capital requirements. Such grants are applied, along with leveraged capital from the firm's own or outside resources, to the implementation of capital expansion plans aimed at increasing the firm's ability to produce and compete effectively in export and domestic markets.
- 4) **Capital Finance Support Cost-Share Grants - Leasing:** The DAI-ASME team has actively promoted and supported the development of a privately owned and financed commercial leasing company in Armenia. ACBA Leasing Company, SA was formally inaugurated on April 25, 2003 marking the completion of all required registration procedures with the Armenian Central Bank and the confirmation of all shareholder investments and loan financing. Operational grants were provided to support establishment of ACBA leasing company itself. The new company is currently operating and executing its lease agreements, which are a much-needed alternative to those businesses requiring significant amounts of new equipment but who lack the collateral to raise the funds required to purchase the equipment outright in their own name. Cost share grants will be made available to companies to facilitate and finance certain capital costs that are associated with the installation and use of leased equipment.

Service Component #3 Benchmarks:

Benchmark	Life of Project Projected Total	Cumulative Total to Date *
Market/Product Development Cost-Share Grants – Study Tours, Trade Shows, Product Development, etc.		
Number of Grants	100	100
Value of Grants	\$ 300,000	\$149,508
Number of Companies Assisted	25	43
Leveraged Funds	\$ 300,000	\$119,881
Operational Support Cost-Share Grants – Business Plans, Quality Management Systems, Technical Support, etc.		
Number of Grants	40	66
Value of Grants	\$ 400,000	\$108,877
Number of Companies Assisted	20	41
Leveraged Funds	\$ 400,000	\$50,942
Capital Finance Support Cost-Share Grants – Commercial Loans, FDI, Supplier Credit, Other		
Number of Grants.	25	28
Value of Grants	\$ 1,000,000	\$715,668
Leveraged Funds (excluding leases)	\$ 3,000,000	\$2,523,890
Capital Finance Support Cost-Share Grants – Leasing.		
Number of Grants (Leases Leveraged)	40	0
Value of Grants	\$ 800,000	0
Leases Leveraged (Value)	\$ 2,400,000	190,344
Leasing Company Operational Support	\$ 1,200,000	\$ 1,200,000
Other Benchmarks		
Woman-Owned Firms Receiving Financial Assistance through DAI-ASME	10	7
Joint Ventures Established	8	1

Benchmark Notes: Cost Share Grant activity in the Marketing and Operational areas continued during the quarter supporting the exploration of additional export markets in Russia (Moscow Federal Show (Textiles) and Seafood Trade Show), training activities were offered to WID companies on accounting and financial management techniques. One new capital grant was signed during the quarter (\$47,850) to support the development of a Halal-certified meat processing facility.

During the quarter DAI-ASME also provided assistance to the Union of Manufacturers and Businessmen of Armenia and the Merchants Union to establish an Analytical Center in Armenia by sharing the cost of a study tour to Moscow.

As the quarter ended, 91.19% (excluding ACBA Leasing Operational Support Grant) of the Project's total approved cost share grants had been disbursed and their impact monitored. Capital cost-share grants were leveraging counterpart funds from client firms, banks and others at a rate of 1 to 3.53. Marketing and Operational Support grants (excluding ACBA Leasing Operational Support Grant) average cost-sharing ratios have been approximately 1 to .91 and 1 to .42 respectively.

Market/Product Development Cost-Share Grants: Six new grants totaling \$8,600 were approved in this category during the quarter to share the cost of four garment sector companies' participation in "Moscow 2004" Federal Trade Show. Two aquaculture companies were supported to participate in the "Russia 2004" seafood trade show.

Operational Support Cost Share Grants: Seven new Operational Support grants (excluding ACBA Leasing Operational Support Grant) totaling \$5,370 were approved during the quarter. Two supported the Union of Manufacturers and Businessmen of Armenia (UMBA) and the Merchants Union (MU) in conducting a “Think Tank Tour” for the purpose of establishing an Analytical Center in Armenia. One grant (to the Business Support Center) supported the implementation of a workshop on Corporate Social Responsibility. Another supported the extension of beekeeper training, presented by people trained earlier by DAI-ASME experts, to beekeepers in Vardenis. Yet another supported BIZON 1, Ltd. participation in an International Exhibition of Medicine and Healthcare. In addition, 12 women-owned companies were supported, under a single, multi-party grant agreement to take part in a training program on the business use of computers and 16 participated in the programs third WID Workshop Retreat.

Capital Finance Support Cost-Share Grants – Other: One new cost-share grant (\$47,850) in this category was approved during the quarter to support the establishment of a Halal –certified meat processing plant for the Geghard company to produce various processed meat products for the Gulf market.

Capital Finance Support Cost-Share Grants – Leasing: There were no cost share grants in this category during the quarter.

Service Component #4: Skills Development and Information Dissemination

Background

Limited local capacity has existed within private Armenian institutions to provide technical assistance to Armenian SMEs. Service Component #4 aims at strengthening the capacity of local business service providers (BSPs) to provide sustainable market and technical assistance to Armenian SMEs on a commercial market basis. To this end, DAI-ASME supports, strengthens and collaborates with privately owned Armenian BSPs that will then be positioned to provide continuing technical and business consulting services to SMEs. At the request of USAID, DAI-ASME is reducing the emphasis of this aspect of the program in deference to the MEDI program, which focuses much of its attention in this area. We will continue to make use of BSP services where appropriate and provide targeted training activities specifically relevant to BSP work with SMEs. Two such training activities are being prepared for the upcoming quarter.

Capacity Building Agreements (CBAs)

No new capacity building agreements were signed during the past quarter and the number of BSPs with signed CBAs cooperating with DAI-ASME remains 30.

BSP Capacity Building Activities Implemented

No new capacity building activities were implemented during the past quarter.

Seminars/Training Workshops

International Commercial Transactions seminar was conducted in February for broad audience including BSPs. Nine representatives from 8 BSPs attended the seminar. DAI-ASME awarded cost share grant to BSC for organizing a seminar on *Corporate Social Responsibility*. The seminar took place in March and was attended by about 50 private sector representatives including a number of DAI's client companies and associations. *Subsector Analysis* workshop for BSPs and a follow up workshop on *Feasibility Studies* are now planned for May – June 2004.

Performance Contracts

DAI-ASME continues to award performance contracts to BSPs to carry out various research, training, or firm level assistance tasks. **This quarter, IAB was given a contract to carry out two-phased *Computerized Accounting Training For WID Clients* attended by sixteen representatives of 12 WID companies. Upon completion of the training the participating companies were provided with the Armenian Software “Bookkeeper” packages to be used in their record keeping systems.**

Service Component # 4 Benchmarks:

Benchmark	Life of Project Projected Total	Project total – Year 1-3 (incl.)	Year 4 Q1	Cumulative Life of Project Total to Date
1. Armenian BSPs with signed Capacity Building Agreements	30	30	0	30
2. BSP Capacity building activities implemented	60	55	3	58
3. SME seminars/training workshops completed	51	58	6	64
4. SME seminars/training workshops focused on woman-owned SMEs	11	9	0	9
5. SMEs receiving training services	400	468	54	522
6. Performance agreements awarded to BSPs for project services	41	24	2	26

Service Component #5: Association Strengthening and Policy Advocacy

Objectives

Service Component #5 is geared to assisting the SME community to create a business-supportive environment that allows the community to operate in a fair and transparent manner. DAI-ASME originally planned to assist selected associations and trade organizations improve their ability to serve their SME constituency in development of a supportive business environment. There are, however, a limited number of legitimate business associations operating in Armenia that provide services of value to their members and few that are capable of assisting SMEs address business environment-type problems. Because of the nascent state of agribusiness association development, DAI-ASME has undertaken alternative processes to identify and address policy issues that impede the ability of businesses to operate in a fair and openly competitive environment.

Activities to Strengthen the Policy Advocacy Capabilities of SME Support Organizations

ASME continued working with UMBA and MU and assisting them in the process of establishing an analytical center. Based on the *Guidelines and Recommendations for Starting an Analytical Center in Armenia*, developed by DAI's James Grall, UMBA and MU are now in the process of establishing the Analytical Center. The two founding Associations have a preliminary agreement with the management of the Armenian Association of Accountants and Auditors (AAAA) for gratis usage of a working area within the Association. The private, non-governmental Analytical Center is designed to strengthen UMBA and MU abilities to provide government bodies with reliable and timely information and analysis of that information with respect to how a proposed government action or inaction would positively or negatively impact Armenia's business community. There is not currently such an organization working in Armenia. The lack of such a facility and the services it can provide inhibits the ability of the associations to lobby government bodies on behalf of all their members

Considering the fact that the founders of the Analytical Center lack practical experience, DAI-ASME organized a trip to Moscow for the direct exposure of the founders to experience gained by similarly charged organizations. In the period February 8 through February 15, Gagik Makaryan, Executive Director of UMBA, Tsolvard Gevorgyan, President of MU, and Ruzan Melyan, DAI-ASME, visited several successful think tanks operating in Moscow. The trip was cost-shared with the founding organizations.

Ms. Gevorgyan and Mr. Makaryan are convinced that interacting with similar organizations in a country of a similar historical background will provide a significant boost to their learning curve. DAI-ASME will continue cooperating with the founding associations and will provide technical assistance on further development of the center. A new SOW for James Grall is now approved by USAID for the period of May 3 – 20 2004 for providing assistance on the development of long-, mid- and short-term strategic programs as well as grant project proposals for potential financing of the Center.

First General Board Meeting of the center will take place on May 4, 2004. By-Laws of the center are drafted by the founders and will be discussed at the General Board Meeting. A Chairman of the Board will be nominated the same day.

EC Certification

Works related to EC certification effort are still in process, and the DAI-ASME team closely works with private companies and government agencies to insure that the country is prepared for new import requirements coming into effect in the EU by the end of the year. While the current effort is related only to fish exports, all food products will eventually be covered by these requirements.

Note: With the beginning of the MEDI Project and their involvement in Business Skills Development, Association Strengthening and Policy Advocacy, DAI-ASME's efforts in Components 4 and 5 have significantly reduced in size at the request of USAID.

Service Component # 5 Benchmarks:

Benchmark	Life of Project Projected Total	Cumulative Life of Project Y 1- Y3	Y4 Q1	Cumulative Life of Project to Date
Policy issue generation workshops	20	17	0	17
Policy working groups established	8	12	0	12
Policy issues identified and addressed	15	3	0	3
SMEs participating in addressing policy issues	400	358	0	358
Activities to strengthen the policy advocacy capabilities of SME support organizations	15	11	0	11
Cost sharing grants to support activities of SME support organizations	15	11	0	11

Note: Preparation of a Work Plan and Benchmarks for Year 4 has been deferred pending a final decision from USAID on the contract extension now under discussion.